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International marketing under political uncertainty: How to assess the impact of surrogate consumer boycott on MNEs' local sales?¹

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Introduction

MNEs can face protesters urging consumers to boycott their products in local markets. In South Korea, Japanese MNEs have been facing consumer boycotts in July 2019. The Boycott Japan movement was started shortly after Japan's decision to exclude South Korea from the trusted trade partner list, resulting in more controls on exports of Japanese chemical compounds to South Korean makers of semiconductors and displays (Nikkei Asian Review, 4 Aug, 2019). After the boycott over the summer, the sale of Japanese products in South Korea has tumbled. Local media reported that credit-card transactions in Uniqlo stores were down substantially since July. Imports of Japanese beers, which have ranked top in the imported beer market over the past years, have declined by over 90% in August 2019 than a year before. The case in focus offers a unique setting to investigate an impact of rising political uncertainty in International Business.

The surrogate boycott and its impact

In international business, MNEs' products can be boycotted due to social and political issues that are related to the MNE's country of origin (Balabanis, 2013). This type of consumer boycott is called as *surrogate boycott* (Friedman, 1985). In the consumer boycotts that are triggered by a company's own behaviours and the protesters' perception that the behaviours

¹ This article will be forthcoming in *EIBAzine – International business Perspective*, European International Business Academy (EIBA)'s own newsletter (published twice a year in May/June & November/December and available at <http://www.eiba.org/r/eibazine>)

have not been sanctioned, the targeted company can have options of either acknowledging or denying its misconduct (Lamin & Zaheer, 2012). The issues can be specifically identified, such as environmental protection, labour practices, health and safety concerns and animal rights. In surrogate consumer boycotts, however, MNEs are not involved in the issue that protests perceive unfair. The contentious issue itself is often out of MNEs' control, although the protesters may hope MNEs will pressurise the decision-makers in the MNEs' place of origin to rectify the situation. MNEs can find it difficult to decide on mitigation strategies, as a result.

The impact of surrogate boycotts can give a snapshot of how the knock-on effect of social and political disputes between places (a city, state and country) influences MNEs that are associated with places of the origin. The impact analysis can help MNEs inform the upside and the downside uncertainty in the local market to assist decision-making on how to absorb the shocks and how to return to the normal business after the boycott is over. In single-country boycott cases, there is rarely counterfactual situation to assess the impact (Friedman, 1985). In International Business cases, it is possible to compare MNEs with different countries of origins. To establish the causal link, the impact analysis may specifically identify targeted companies, the nature of the boycotters, the duration of the impact, the confounding factors and spillovers on non-targeted companies in the market.

Boycott studies typically focus on the impact of boycotts on the potential targets. Pandya and Venkatesan (2016) used the supermarket sales data to assess the impact of US consumers' boycotts against all the French brands. Local media report about Japanese brands since impact of the Boycott Japan movement have focused on specific companies that protests have claimed as successful targets, while less attention is paid to other Japanese MNEs which might be targeted but consumers did not join the boycott. Research on impact would assess the boycott itself, differentiating the impact on actual targets and consider the

extent to which protesters successfully urged consumers to boycott all the targets that they have initially selected.

The nature of boycotters needs to be specified in the impact analysis. It is necessary to specify the groups that lead a boycott and how the boycott is organised, what stages a boycott movement have, and how to evaluate the success of a boycott itself. Historical research such as Friedman (1985) has outlined the framework for boycott itself and this can inform companies of the potential risk of being a target in the event of surrogate boycotts.

The impact analysis may need to follow up series of events during the boycotts. In the case in focus, the disputes over export restrictions was followed by more political events as South Korea prepared to submit a complaint to the WTO and decided not to extend a bilateral act to share military intelligence with Japan on the ground of national interest (CNN, 23 August 2019). Boycotts can last longer if the two governments cannot immediately mend the contemporary issue (Fitch Solutions, 2019). This shows that when deep-rooted historical issues are entangled with contemporary issues, a chain of new issues can emerge escalating tensions, refreshing consumers' attention to the boycott movement. For targeted MNEs, such escalation means increasing cumulative losses and prolonged uncertainty in mitigation strategies.

In the industry level, there could be confounding factors. The case in focus shows that the impact of boycotts is contingent on the targeted MNEs' sector. In the case of the boycott Japan movement, Japanese beers were one of the hardest hit. In brewing industry, there has been rising demand for new beers over global brands and retailers have focused on flexible distribution and warehousing (McKinsey and Company, May 2015). In such a sector, retailers can refuse to stock the boycotted brands.

The impact analysis may consider spillovers on other companies. This information is important to determine the chance that the target companies can restore market foothold when the boycott is over. There could be positive demand spillovers. After boycotts, Japanese MNEs can lose market shares to other foreign or Korean competitors. Such effects depend on whether the Japanese products have substitutes in the market (Balabanis, 2013). In Sun et al. (2018), studying China's boycott of Japanese cars, the authors found that positive demand spillovers are contingent on firm, region, and historical factors. There could be negative supply spillovers. During the boycott Japan movement, Korean tourists to Japan has dropped and as a result impacting Korean airlines and tourism industry.

Conclusion

Overall, a surrogate boycott is an interesting setting to investigate MNEs' strategy and performance in the context where economic policies are connected with contentious political issues. It is a setting to inform how MNEs can achieve resilience under extreme uncertainty and how stigmatised MNEs may operate in the local market. In surrogate boycotts the country of origin effects and the legitimacy issues can be studied. By studying surrogate boycotts International Business scholars can engage perspectives of consumers and protest groups in international business.

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